

Saudi Basic Industries Corp. (SABIC)

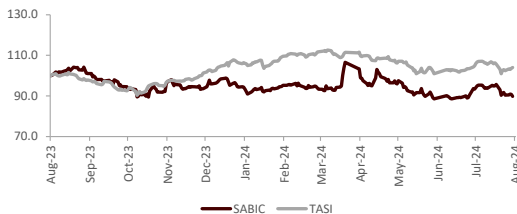
Recommendation

Buy

Current Market Price (SAR)	74.5
52wk High / Low (SAR)	91.0/73.4
Mkt. Cap. (USD/SAR Mn)	59,723/224,100
Shares Outstanding (mn)	3,000.0
Free Float (%)	30.0%
3m Average Vol. (000)	1,854.2
3m Avg Daily Turnover (SAR'000)	141,940
Dividend Yield '24e (%)	0.9%
P/E'24e (x)	25.7
EV/EBITDA'24e (x)	24.6

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	183,077	141,537	134,555	146,101
Gross profit	41,322	22,074	25,565	36,525
Gross margin (%)	23%	16%	19%	25%
EBIT	22,908	3,720	9,491	20,824
EBIT margin (%)	13%	3%	7%	14%
EBITDA	37,599	19,779	25,788	37,582
EBITDA margin (%)	21%	14%	19%	26%
Net Income	16,530	(2,772)	2,578	9,298
Net margin (%)	9%		2%	6%
EPS (SAR)	5.51	-0.92	0.86	3.10
RoE (%)	10%	2%	4%	7%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Aramco Chemical Co. 70.00%

Source: Bloomberg, Yaqeen Capital

Earnings rose amid better margins

- In 2Q2024, SABIC's net profit surged by 85.3% YoY and 786.8% QoQ to SAR 2,184mn, driven by higher gross profit and a zakat provision reversal, leading to SAR 545mn in non-cash gains. This was partially offset by a SAR 556mn YoY decline in finance income due to lower gains from derivative equity instruments and losses from discontinued operations of SAR 226mn YoY and SAR 338mn QoQ. Net profit margin improved by 2.7ppts YoY and 5.4ppts QoQ to 6.1%.
- Revenue rose by 4.8% YoY and 9.3% QoQ to SAR 35,719mn in 2Q2024, supported by better average selling prices and slightly higher sales volume YoY, while QoQ growth was mainly due to increased sales volume.
- Gross profit increased by 32.3% YoY and 22.7% QoQ to SAR 7,194mn in 2Q2024, due to improved margins on key products YoY, offset by higher operating expenses from non-recurring charges. QoQ growth was aided by higher sales volumes and better operating rates following plant turnarounds. The gross profit margin grew by 4.2ppts YoY and 2.2ppts QoQ to 20.1%.
- Operating profit rose by 27.8% YoY and 73.5% QoQ to SAR 2,101mn, with the margin improving by 1.1ppts YoY and 2.2ppts QoQ to 5.9%.
- In 1H2024, net income grew by 32.4% YoY to SAR 2,430mn, driven by higher gross profit, increased contributions from associates and JVs, and a zakat provision reversal, partially offset by lower gains from derivative equity instruments. Net profit margin rose by 1.2ppts YoY to 3.6%.
- In 1H2024, revenue declined by 3.0% YoY to SAR 68,404mn due to lower sales volume.

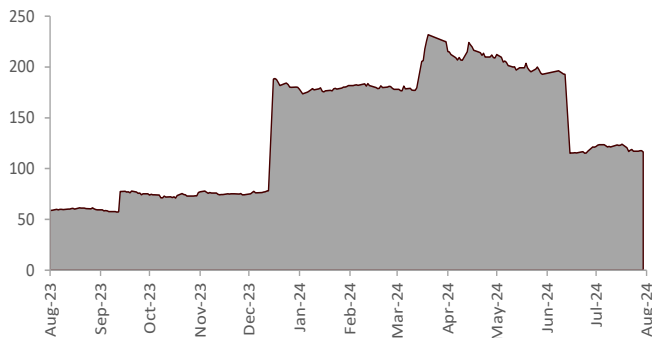
Outlook & Valuation: SABIC's financial performance has been impacted by weak global demand for chemicals. In response, SABIC is adopting proactive measures to address these challenges and secure long-term sustainability. The sale of Saudi Iron and Steel Company (Hadeed) last year is part of this strategy, allowing SABIC to better allocate resources and focus on its competitive strengths. By concentrating on its core business, SABIC aims to enhance operational efficiency and maximize shareholder value. Based on DCF valuation, we arrive at a fair value of SAR 86.1/share, offering an upside of 15.6% from the current level. Hence, we recommend a Buy rating on the stock.

Financial Summary

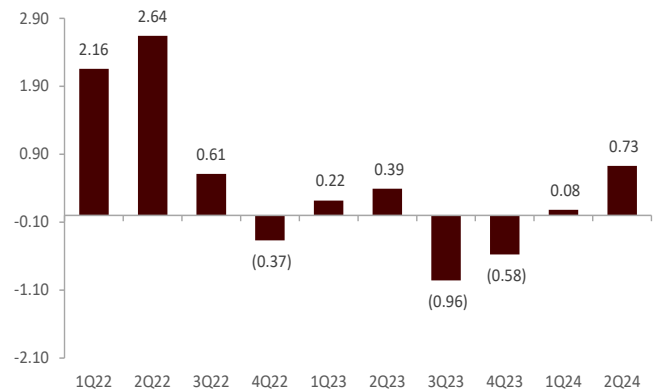
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	35,719	34,097	5%	32,686	9%
Gross profit	7,194	5,437	32%	5,862	23%
Gross margin (%)	20%	16%		18%	
EBIT	2,101	1,644	28%	1,210	74%
EBIT margin (%)	6%	5%			
EBITDA	5,702	5,337	7%	4,511	26%
EBITDA margin (%)	16%	16%		14%	
Net Income	2,184	1,178	85%	246	787%
Net margin (%)	6%	3%			
EPS (SAR)	0.73	0.39	85%	0.08	787%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

Disclaimer

Research report has been prepared by Yaqeen Capital, Riyadh, Saudi Arabia. It has been prepared for the general use of Yaqeen Capital's clients and may not be altered, redistributed, retransmitted, or disclosed, in whole or in part, or in any form or manner, without the express written consent of Yaqeen Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by Yaqeen Capital. The information contained was obtained from various public sources believed to be reliable, and Yaqeen Capital makes no representations or warranties (express or implied) regarding the data and information provided and does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only, but we do not intend to provide personal investment advice and did not constitute an offer or an invitation to make an offer, to buy/ sell/ hold any securities or other investment products, and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed in this document and should understand that statements regarding future prospects may not be realized. Investors should note that the securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. Yaqeen Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking Group of Yaqeen Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. Yaqeen officers (including research analysts) or Board of directors may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, or other financial instruments. Yaqeen Capital and employees shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this report.

Yaqeen Capital is a closed joint stock company licensed by the Saudi Arabian Capital Market Authority, License No (06020-37) to provide services in Dealing, Custody, Managing, Arranging and Advising.